

Message Text

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15

ACTION NEA-12

INFO OCT-01 AF-10 EUR-25 EA-11 ISO-00 AEC-11 AID-20 CEA-02

CIAE-00 CIEP-02 COME-00 DODE-00 EB-11 FEA-02 FPC-01

H-03 INR-10 INT-08 L-03 NSAE-00 NSC-07 OMB-01 PM-07

RSC-01 SAM-01 SCI-06 SPC-03 SS-20 STR-08 TRSE-00

PA-04 USIA-15 PRS-01 DRC-01 /207 W

----- 117501

R 271410Z MAR 74

FM AMEMBASSY JIDDA

TO SECSTATE WASHDC 6545

INFO AMEMBASSY ABU DHABI

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY KUWAIT

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY TEHRAN

AMEMBASSY TOKYO

AMEMBASSY TRIPOLI

AMEMBASSY VIENNA

USINT ALGIERS

AMCONSUL DHAHRAN

C O N F I D E N T I A L JIDDA 1565

BEIRUT PASS USINT BAGHDAD

E.O. 11652: GDS

TAGS: ENRG, SA

SUBJECT: U.S. CLASSIFIED AS IN EXEMPT CATEGORY BY SAG

REF: JIDDA 1534

SUMMARY: MINISTER PETROLEUM YAMANI HAS TOLD ARAMCO U.S.

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IN EXEMPT AND NOT YET IN FRIENDLY CATEGORY. DELIVERIES AT

SEPTEMBER LEVEL FOR U.S. INCLUDING MILITARY AND CARIBBEAN REFINERIES WILL BE 1.053 MILLION BARRELS PER DAY. TOTAL PRODUCTION FOR EXPORT LIMITED TO 8.2 MILLION BPD. YAMANI MAY BE CONSIDERING DELIBERATE PRODUCTION INCREASE TO CAUSE A DROP IN PRICE. END SUMMARY.

1. CONGEN DHAHRAN BRIEFED BY ARAMCO OFFICAL ON DETAILS OF LIFTING OF EMBARGO. ARAMCO TOLD ON MARCH 21 AFTER QUERYING LOCAL PETROMIN OFFICIAL IN EASTERN PROVINCE THAT IT COULD GO AHEAD ON "PROVISIONAL" BASIS ON SHIPMENTS TO U.S. ON MARCH 24 ARAMCO PRESIDENT POWERS MET WITH YAMANI IN RIYADH WHO INFORMED HIM U.S. NOW IN EXEMPT CATEGORY, THAT IS, NOT YET CONSIDERED FRIENDLY. DELIVERIES WOULD BE RESUMED AT SEPTEMBER LEVEL SINCE THIS WAS MORE ADVANTAGEOUS TO US THAN 9 MONTHS AVERAGE. MINISTRY DETERMINED LEVEL WAS TO BE 1.053 MILLION BARRELS PER DAY TO U.S. OR VIA OFFSHORE REFINERIES. ARAMCO SEEKING CLARIFY WHETHER THIS INCLUDES MILITARY SALES (YAMANI CONFIRMED IT DOES INCLUDE SUCH SALES ACCORDING TO REFTTEL).

2. YAMANI SAID ITALY AND FEDERAL REPUBLIC OF GERMANY CLASSIFIED AS FRIENDLY AND THEY WILL SHARE 100,000 BARRELS PER DAY INCREASE. TOTAL EXPORT PRODUCTION FOR ARAMCO NOW SET AT 8.2 MILLION BPD. POWERS PERSUADED YAMANI PERMIT CARRY-OVER INTO NEXT MONTH SINCE ARAMCO MAY NOT BE ABLE MEET THIS EXPORT LEVEL IN THE REMAINING FEW DAYS.

3. CONGEN QUERIED ABOUT POSSIBLE DIVERSION OF TANKERS ALREADY AT SEA TO US MARKET. SAG DID NOT RPT NOT AUTHORIZE SUCH DIVERSIONS OF CRUDE SHIPPED BEFORE BOYCOTT LIFTED SUPPOSEDLY BECAUSE THIS WOULD CAUSE PROBLEMS WITH SOME WEST EUROPEAN COUNTRIES. (THIS EXTREMELY SENSITIVE PROBLEM SINCE ARAMCO ASSUMES PARENTS MAY INDEED MAKE SOME DIVERSIONS.)

4. MAY BE SIGNIFICANT THAT YAMANI ASKED POWERS IF HE THOUGHT PRODUCTION INCREASE NOW SCHEDULED WOULD HAVE SOME EFFECT ON PRICES. POWERS REPLIED HE THOUGHT NOT AND YAMANI WONDERED ALOUD HOW LARGE A PRODUCTION INCREASE WOULD BE NECESSARY TO CAUSE AN ACTUAL DROP IN PRICE. CONFIDENTIAL

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POWERS SPECULATES YAMANI APPARENTLY BELIEVES MARKET MECHANISM ONLY WAY TO REDUCE PRICES. AKINS

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Message Attributes

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